Restoring Balance

Fiscal Year 2013 Budget Resolution

Senator Pat Toomey

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Summary

Overview & Highlights

- Balances the budget within eight years with a modest surplus in FY 2021 and FY 2022
- Reduces publicly-held debt to approximately 56 percent of GDP by 2022
- Lowers spending to 18.3 percent of GDP

Economy and Taxes

- Promotes pro-growth economic policies that will create jobs and prosperity
- Returns revenue to 18.5 percent of GDP – well within the historical norm – and allows the federal government to fund essential programs while fostering economic growth
- Individual tax reform:
  - Maintains existing progressivity of the tax code
  - Lowers all marginal rates by 20 percent and fully offsets lost revenue for each tax bracket by limiting deductions and exclusions
  - Indexes the alternative minimum tax for inflation
- Corporate tax reform:
  - Lowers the corporate tax rate from 35 percent to 25 percent
  - Transitions to a territorial tax system
  - Eliminates special-interest tax loopholes

Medicare

- Prevents devastating physician payment cuts due to the flawed sustainable growth rate

- Adopts the long-term Medicare reform plan included in the House fiscal year 2013 budget resolution (effective 2023)
- Implements medical malpractice reform
- Expands means testing for Medicare Parts B and D
    - Identical to President Obama's proposal for income less than $150,000 (single) and $300,000 (married)

Medicaid and Other Mandatory Health → Saves $2.7 Trillion

- Repeals Obamacare
- Block grants Medicaid to the states and freezes spending at FY 2012 levels through FY 2017, after which it is indexed to inflation

Defense

- Maintains defense caps at Budget Control Act round 1
- Replaces the defense sequester with additional non-defense discretionary spending reductions
- Assumes full withdrawal from Iraq and Afghanistan by 2015 (contingent on security needs)

Non-Defense Discretionary → Saves $1.05 Trillion

- Reduces to 2006 levels ($440 billion) in FY 2013 and freezes for the subsequent eight years, after which it is indexed to inflation

Welfare & Other Mandatory Programs → Saves $745 Billion

- Block grants welfare programs and imposes mandatory spending caps (saves $440 billion)
- Reforms various mandatory programs (saves $155 billion)
- Reforms federal employee health and retirement benefits (saves $150 billion)

Restoring Balance

Spending, Revenue, Deficits and Debt

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
Revenue	**2,432**	**2,736**	**2,954**	**3,236**	**3,473**	**3,684**	**3,867**	**4,054**	**4,256**	**4,463**	**4,677**	**37,399**
% GDP	*15.7%*	*16.7%*	*17.3%*	*17.9%*	*18.1%*	*18.2%*	*18.2%*	*18.2%*	*18.3%*	*18.4%*	*18.5%*	18.0%
Outlays	**3,627**	**3,523**	**3,468**	**3,510**	**3,661**	**3,770**	**3,895**	**4,087**	**4,253**	**4,437**	**4,671**	**39,275**
% GDP	*23.4%*	*21.5%*	*20.3%*	*19.4%*	*19.0%*	*18.6%*	*18.3%*	*18.4%*	*18.3%*	*18.3%*	*18.4%*	18.9%
Deficit	**(1,195)**	**(787)**	**(514)**	**(275)**	**(188)**	**(85)**	**(28)**	**(33)**	**2**	**26**	**7**	**(1,876)**
% GDP	*-7.7%*	*-4.8%*	*-3.0%*	*-1.5%*	*-1.0%*	*-0.4%*	*-0.1%*	*-0.1%*	*0.0%*	*0.1%*	*0.0%*	-0.9%
Debt	**11,359**	**12,264**	**12,889**	**13,277**	**13,568**	**13,754**	**13,878**	**14,000**	**14,082**	**14,056**	**14,049**	**14,049**
% GDP	*73.2%*	*74.9%*	*75.6%*	*73.3%*	*70.5%*	*67.9%*	*65.3%*	*63.0%*	*60.6%*	*57.9%*	*55.4%*	55.4%
GDP	**15,508**	**16,363**	**17,044**	**18,116**	**19,232**	**20,265**	**21,245**	**22,227**	**23,241**	**24,281**	**25,351**	**207,366**

Figure 1

Background

Background

The Problem: Chronic Deficits and Rapidly Increasing Debt

Despite growing public recognition that our current fiscal trajectory is unsustainable, the federal government faces a future in which sustained budget deficits will continue to be a troubling fact of modern American politics. We are now in our fourth straight year of trillion dollar-plus deficits, a first in American history. These deficits are surpassed only by those accumulated during World War II, as a percentage of the gross domestic product.[1] Yet unlike those *temporary* deficits that resulted from emergency efforts to win the war, the deficits we now face will persist year after year because they reflect recent congressional decisions regarding the regular operations of government.

The period beginning in the early 1970s – when the modern budget process was first implemented – and ending in 1997 – when Congress balanced the budget – represents the longest period of consecutive deficits on record. Moreover, the period beginning in 2002, when deficits returned after four years of surpluses, is on track to surpass its predecessor. Indeed, deficits far exceeding those accumulated over the last 25 years are projected to continue well into the future with no end in sight. Such forecasts have led some to label the current period the "age of deficits."

The persistence of such deficits and the recent, dramatic increases in their size are indications that the nation is currently on an unsustainable fiscal path. The current path is unsustainable because, absent fundamental spending reforms, these deficits will only grow, in absolute terms and, more problematically, as a percentage of GDP. Indeed, the rate at which the government accumulates debt is increasing. The federal government has added more debt over the past three years than the *entire*

[1] In current dollars, the highest war-time deficit was $54.6 billion (30.3 percent of GDP). The total amount of deficit spending from 1941 to 1945 was $175.2 billion. Deficits as a percentage of GDP during this period ranged from 4.3 percent in 1941 to 30.3 percent in 1943 and 21.5 percent in 1945. In contrast, the deficit in 2009 was $1.4 trillion (9.9 percent of GDP). The total amount of deficit spending from 2005 to 2011 was $5.192 trillion (in constant dollars), and deficits as a percentage of GDP during this period ranged from 2.6 percent in 2005 to 10 percent in 2009.

debt added over the preceding eight years.[2] This debt will cause slower economic growth, higher taxes and less security. Increased government spending means a reduction in the amount of private investment and higher taxes on the American people, which leads to a lower quality of life over all. Massive budget deficits and debt will also eventually reduce the resources available for national defense and securing the homeland.

Perhaps most troubling, a continuation of the government's current fiscal policy increases the possibility of another financial crisis. Yet this time the challenges we will face may be much worse than the great recession that began in 2008. On the current trajectory, a fiscal crisis would likely be accompanied by a collapse in the value of the dollar, a dramatic increase in inflation and interest rates, and perhaps, even a failed Treasury auction as lenders lose confidence in the creditworthiness of the United States. Such events would seriously damage our economy and destroy jobs.

The source of the current situation is the massive increase in government spending in the last decade. Last year, government spending totaled 24 percent of GDP, twice the share of GDP during the New Deal when the government took dramatic steps in a failed attempt to end the Great Depression. Even more troubling, total federal spending has doubled since 2000, leading to ever-increasing annual budget deficits and resulting in more debt.

For example, the deficit totaled $248 billion in 2006, approximately 1.9 percent of GDP. In 2007, the deficit fell to $162 billion, or 1.2 percent of GDP. However, this number increased significantly by 2011, when the deficit represented 9 percent of GDP. This year, the annual deficit is projected to total an astounding $1.17 trillion.

Annual deficits add up to the total debt of the U.S. government. In 1988, publicly-held debt totaled 41 percent of GDP. The total debt of the government remained fairly stable through 2008, when it amounted to 40 percent of GDP. Yet today, total

[2] The federal debt increased $4.89 trillion from 2001 to 2008. From 2009 to 2012, the federal debt increased $4.9 trillion.

publicly-held debt amounts to 68 percent of GDP, and it is on track to represent 73 percent of GDP by the end of this fiscal year. Without a change of course, debt will approach 100 percent of GDP by the end of the decade.

The consequences of deficits of this size and the resulting mountain of debt are very real. The cost of debt service alone will crowd out other spending in the federal budget. In FY 2011, interest payments on the debt amounted to approximately 6 percent of total spending, yet this number is projected to rise considerably. In the president's budget, interest payments would rise to 13 percent of all spending by FY 2022, making it the fastest growing line item in the federal budget.

The corresponding level of government borrowing crowds out private investment and ultimately reduces economic growth. To put this in perspective, Greece ran deficits of 13.6 percent of GDP and carried a debt load of 110 percent of GDP in 2009. That is not too far from where we are now – but no one would suggest that the United States should follow Greece's lead.

The Solution: Congress Must Restore Balance

A budget is a governing document; it represents the priorities and governing agenda of Congress. Unfortunately, Congress has set the wrong priorities and has chosen to run excessively large deficits in recent years. The good news is that these deficits represent a political, rather than an economic, problem, and Congress is quite capable of finding a solution. Congress did just that for four years from 1998 to 2001. During this period, Congress successfully balanced the budget and transformed regular deficits into recurring surpluses. Put simply, excessive deficits are not inevitable; they can be stopped.

Yet the fact remains that Congress has chosen not to make balanced budgets a priority. The four consecutive years of trillion-dollar-plus deficits in the years since 2009 are particularly perplexing given the apparent bipartisan support for reducing deficits and imposing some degree of fiscal discipline. Moreover, public opinion has been decidedly against deficit spending in recent years.

Despite the public demand for fiscal responsibility, Congress and the president continue to make a bad situation worse. If past efforts have not worked, then Congress must change the way it approaches the problem and set a goal that is worthy of the sacrifices needed to meet it. In 1997, adopting a goal of zero deficits ultimately led to the first balanced budget in almost 30 years and put the federal government on a path to reducing its national debt. A balanced budget goal makes putting the nation on a sustainable fiscal path easier because it provides a goal that an overwhelming majority of Americans would like to attain.

Restoring balance entails two distinct but related paths. The first must be to reduce discretionary spending and non-Medicare and non-Social Security mandatory spending. This category of expenditures has been the primary driver of deficits in the *last* decade. The second involves responsibly addressing our long term entitlement challenges by reforming Medicare, Medicaid and Social Security.

As Figure 2 demonstrates, President Obama's budget is on a collision course with fiscal calamity. In contrast, Restoring Balance puts our country on a path towards a balanced budget.

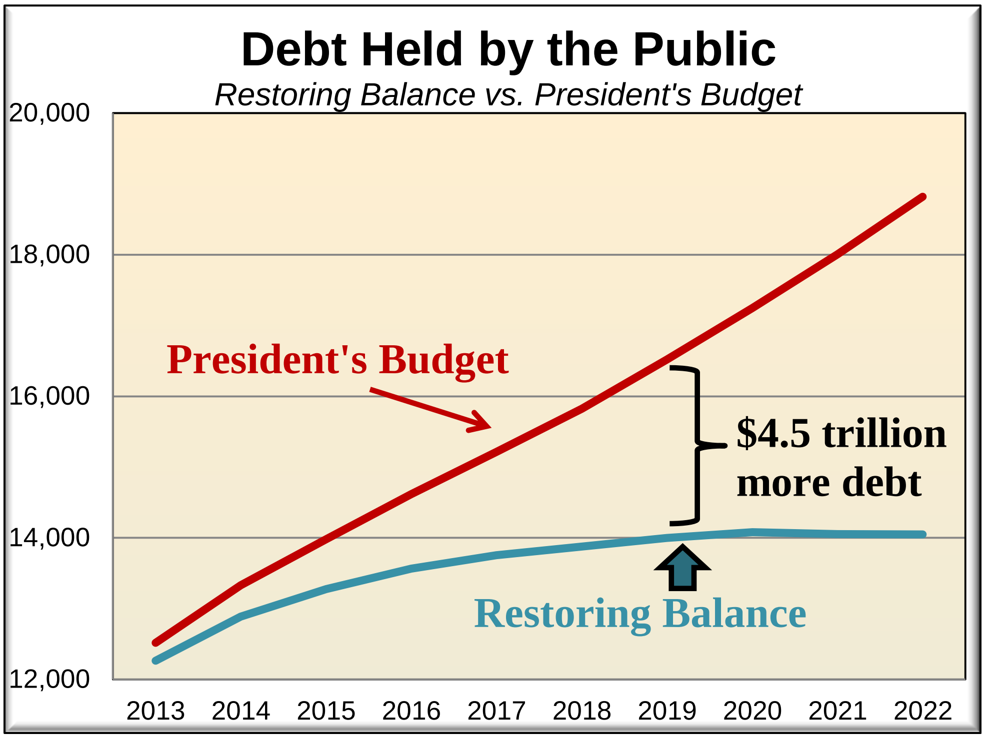

Figure 2

By FY 2022, the debt held by the public projected in Restoring Balance will be more than $4.5 trillion less than that in President Obama's budget. The president's budget never seeks to control spending, and as a percentage of GDP, his budget never even returns to the historical average of 20 percent of GDP. Instead, after reaching a low point of 22 percent of GDP in 2018, spending begins to climb again, reaching nearly 23 percent by 2022. As a result, despite the massive tax increases proposed in his budget, the president never brings deficits under control. CBO projects that deficits under the president's proposal, after an initial decline, will increase steadily in both dollar terms and as a percentage of GDP after 2018, and will reach a staggering $730 billion by 2022.

Fiscal Year 2013 Budget

Pro-Growth Tax Reform

Bipartisan consensus is difficult to come by in Washington. However, Republicans and Democrats have found some agreement on one issue – the urgent need for tax reform. While the two parties disagree on many of the details, they agree that reforming our confusing and convoluted tax system by lowering rates and broadening the income base on which those rates apply will make our system simpler and fairer, and will lead to stronger economic growth.

> "The current individual income tax system is hopelessly confusing and complicated."
>
> "In short, the commission has concluded what most taxpayers already know – the current income tax is fundamentally unfair, far too complex, and long overdue for sweeping reform."
>
> *~ Simpson-Bowles Deficit Commission report*

Preventing Job-Killing Tax Increases

Without congressional action, American families and businesses face the prospect of crushing tax increases on Jan. 1, 2013, when many temporary tax provisions expire and marginal rates increase dramatically. The goal of tax reform must be a complete overhaul of the entire system, but at the very least, elected officials must assure Americans that taxes will not be raised while millions are still out of work and many businesses are still struggling to get back on their feet.

Individual Tax Reform

Any overhaul of the tax code should embrace two principles crucial for pro-growth job creation. First, it must lower tax rates and broaden the base on which those rates apply without increasing the net tax burden. Second, since investment and capital formation are vital components of economic growth, any reform of our tax system should, at a minimum, maintain the current treatment of capital gains and dividends. Additionally, Congress should make current policy regarding the alternative minimum tax and the estate tax permanent, or repeal both these provisions outright.

For individuals, this budget proposes reducing all tax rates by 20 percent across the board. This will reduce the bottom rate from 10 percent to 8 percent, the middle rate from 25 percent to 20 percent, and the top rate will return to 28 percent, the same rate championed by President Ronald Reagan and House Speaker Tip O'Neill in the historic bipartisan Tax Reform Act of 1986. These lower rates will reward workers, spur entrepreneurship and create jobs. In addition, this budget proposes making current policy toward the AMT, capital gains, dividends and the estate tax permanent.

The revenue lost from lower marginal rates will be offset by eliminating or reducing various tax expenditures in a manner that maintains progressivity. Tax preferences directed toward lower- and middle-income families, such as the child tax credit and earned income tax credit, will remain unchanged. However, many tax preferences are disproportionately utilized by upper-income taxpayers. Scaling back the use of these provisions will provide the revenue necessary to pay for the reduction of marginal tax rates.

With the revenue loss associated with tax expenditures exceeding $1 trillion per year,[3] there are many technical ways to limit the value of deductions and tax expenditures and thereby offset the cost of lowering marginal rates. One method put forward by Harvard economics professor Martin Feldstein and the president of the bipartisan Committee for a Responsible Federal Budget, Maya MacGuineas, is to limit the value of tax expenditures to a certain percentage of adjusted gross income.[4] Another option could involve limiting the total amount of itemized deductions to a specified dollar amount.

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[3] Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2011-2015*, Jan. 17, 2012.
[4] Feldstein, Feenberg and MacGuineas, *Capping Individual Tax Expenditure Benefits*, National Bureau of Economic Research, April 2011.

Curtailing deductions and carve-outs serves a beneficial purpose beyond the additional revenue used to lower rates. A tax code with high statutory rates but many deductions might be good for politicians and lobbyists, but it distorts economic activity and is often unfair and frustrating to taxpayers. When Congress creates a deduction for a certain activity, it is, in effect, subsidizing that activity. Not surprisingly, these loopholes are often popular, particularly with those who benefit from them. However, subsidizing a product or service artificially increases investment in those products and services beyond the optimal level that would result from market-based decisions.

These subsidies can contribute to asset bubbles. If the financial crisis of 2008 taught us anything, it is that the short-term benefits of government subsidies – whether for housing, credit or anything else – pale in comparison with the long-term damage caused by the inevitable bursting of government-fueled bubbles. Removing tax subsidies while lowering rates in a revenue-neutral manner results in a more efficient allocation of capital and allows individuals and families to spend their money as they see fit, rather than being funneled toward politically-favored activities.

Some argue that tax reform should be a mechanism used to increase the total tax burden and reduce deficits. This sentiment ignores the fact that revenue is heavily determined by the state of the economy. Rather than burdening an economy still struggling to recover with an even larger tax burden, this budget seeks to grow the economy and create more opportunities for workers, businesses and innovators. In turn, the resulting economic growth is a boon for the U.S. Treasury. CBO estimates that for every one-tenth of a percentage point increase in economic growth, federal revenue will increase by about $300 billion over the course of 10 years.[5] These savings are in addition to the reduced welfare spending that will result from more people working, earning higher wages and becoming less dependent on government transfer payments.

[5] CBO, *The Budget and Economic Outlook: Fiscal Years 2012-2022*, p. 108.

To foster job creation and economic growth, this budget seeks to return revenue as a percentage of GDP to its FY 2007 level of 18.5 percent – the approximate historical average. Tax reform that is focused on growth, rather than divisive class warfare, can help create jobs and reduce the deficit through a thriving and expanding economy.

Corporate Tax Reform

America's corporate tax code is a nightmare for businesses, but a boon for politicians. Since Japan lowered its corporate tax rate this year, the United States now has the dubious distinction of imposing the highest statutory corporate tax rate in the developed world. At the same time, the myriad of corporate credits, preferences and loopholes allows politically-favored companies and industries with skilled lobbyists to drastically reduce their effective tax burden – in some cases, close to zero.

Fortunately, there is a bipartisan consensus developing around the need for corporate tax reform. In the words of President Obama's deficit commission:

> *The U.S. corporate tax is a patchwork of overly complex and inefficient provisions that creates perverse incentives for investment….Without reform, it is likely that U.S. competitiveness will continue to suffer. The results of inaction are undesirable: the loss of American jobs, the movement of business operations overseas, reduced investment by foreign businesses in the U.S., reduced innovation and creation of intellectual property in the U.S., the sale of U.S. companies to foreign multinationals, and a general erosion of the corporate tax base.*

The fundamental goal of corporate tax reform is to make the United States a more competitive place to do business. This goal can best be achieved by lowering the statutory rate, removing special interest loopholes that distort economic activity, and adopting a territorial tax system that allows American companies to compete on an equal footing with their competitors abroad.

This budget proposes lowering the statutory corporate rate to 25 percent in a revenue-neutral manner by instructing the tax writing committees to eliminate credits and other tax preferences that grant politically favored industries an economic advantage via the tax code. In addition, this budget advocates a complete overhaul of our international tax structure. We should permit American companies operating abroad to return their overseas earnings to the United States – where they can be invested in growing our economy – without subjecting those earnings to an additional layer of taxes in addition to what they already paid to their host country.

Smart corporate tax reform that lowers the rate to a competitive 25 percent will not only expand economic growth and opportunities for American workers, it will make the tax code more fair by removing the lobbyist-created provisions that stick some industries with a massive tax burden while allowing others to escape with paying little to no taxes altogether.

The Rising Cost of Health Care

The CBO's recent baseline projects that nominal federal spending on health care programs will more than double in the next 10 years, increasing by an average of 8 percent a year and reaching $1.8 trillion in FY 2022.[6] In contrast, nominal GDP growth in the next 10 years is projected to grow at an annual average of less than 5 percent.[7] Given our GDP's projected growth, the rate of health care growth is inherently unsustainable. Health care spending cannot indefinitely outpace GDP growth without having a destabilizing effect on the rest of the economy.

Medical Liability

The tort liability system provides an important forum for plaintiffs to seek recourse for medical negligence. It is imperative that medical malpractice reform preserve the right of plaintiffs to pursue grievances within an objective forum. That said, the prevalence of frivolous medical malpractice lawsuits has had a quantifiable effect on both health care access and costs.

Reining in the practice of defensive medicine – the practice of ordering additional tests and procedures in an attempt to preempt litigation – is an important element in the effort to reduce health care expenditures. A 2010 study published in Health Affairs estimated that the practice of defensive medicine amounts to $45.6 billion annually. Those figures are estimated to be split between hospitals ($38.8 billion) and physicians ($6.8 billion), and translate into increased costs for the government and patients.[8]

Reforms to medical malpractice liability have had a reductive and tangible effect on malpractice premiums. A Kilgore, Morrisey and Nelson study investigated the

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[6] CBO, *The Budget and Economic Outlook: Fiscal Years 2012 to 2022*, January 2012, p. 55.
[7] Ibid., p. 27.
[8] Katherine Hobson, How Much Does Defensive Medicine Cost? One Study says $46 Billion, Wall Street Journal, Sept. 7, 2010.

correlation between premiums and reforms between 1991 and 2004 and discovered an average 25.5 percent disparity in obstetrics/gynecology premiums between states with and without caps on non-economic damages.[9]

Building on successful state efforts, this budget includes malpractice reform which would cap noneconomic damages at $250,000 and limit punitive damages to the greater of $500,000 or two times the value of awards for economic damages. Additionally, it would limit the statute of limitations to one year for adult injuries and three years for children. Finally, it includes a fair-share rule and allowance of collateral sources of income to be introduced at trial.[10] Medical malpractice reform can generate savings by reducing the cost of malpractice insurance and the utilization of unnecessary health care services.

In 2009, CBO estimated that implementation of tort reform would reduce national premiums for medical liability insurance by 10 percent.[11] Approximately $50 billion in federal savings would accrue through reduced mandatory spending for Medicare, Medicaid, the Children's Health Insurance Program, federal subsidies in the health exchanges and the Federal Employees Health Benefits Plan.[12] Furthermore, $13 billion would be generated through higher taxable wages derived from reduced health insurance premiums, which are tax-exempt compensation when provided by an employer.[13]

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[9] American Medical Association, *Medical Liability Reform Now*, p. 13, http://www.ama-assn.org/resources/doc/arc/mlr-now.pdf.
[10] CBO Option 13, *CBO: Reducing the Deficit: Spending and Revenue Options,* March 2011, p. 35.
[11] CBO Letter to Hatch, October 9, 2009, http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/106xx/doc10641/10-09-tort_reform.pdf.
[12] CBO Option 13, *CBO: Reducing the Deficit: Spending and Revenue Options,* March 2011, p. 36.
[13] CBO Letter to Hatch, October 9, 2009, http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/106xx/doc10641/10-09-tort_reform.pdf.

Medicare

Ensuring America's current and future seniors have access to Medicare requires both an honest dialogue and a judicious approach that reins in inefficiency and promotes innovative payment models.

Rising Cost of Medicare

During the next 10 years, Medicare enrollment will grow by 37.5 percent as Baby Boomers begin to retire.[14] Though Medicare outlays will inevitably increase due to expanding enrollment, CBO estimates that per beneficiary spending for Medicare Parts A and B will rise by 30 percent, while Medicare Part D spending will double.[15] These increased costs will be absorbed by the federal government and beneficiaries in the form of increased outlays and beneficiary cost sharing.

The Medicare program is financed through a confluence of funding streams primarily comprised of payroll taxes, general revenue and beneficiary premiums. Medicare Part A, which funds hospital inpatient care, skilled nursing facility services, and some home health and hospice care, is largely financed by the 2.9 percent payroll tax evenly funded by employees and employers. Beginning in 2013, the Patient Protection and Affordable Care Act (PPACA) raises the hospital insurance payroll tax rate to 3.8 percent for individuals earning more than $200,000 and for joint filers earning more than $250,000.

Medicare Part B (outpatient care and durable medical equipment) and Medicare Part D (prescription drugs) are funded through two separate accounts in the Supplementary Medical Insurance Trust Fund which are jointly financed by general revenue (75 percent) and beneficiary premiums (25 percent). Unlike Medicare Part A, Medicare Parts B and D are heavily subsidized by general revenues from the federal government.

[14] CBO, *The Budget and Economic Outlook: Fiscal Years 2012 to 2022,* January 2012, p. 55.
[15] CBO, *The Budget and Economic Outlook: Fiscal Years 2012 to 2022,* January 2012, p. 56.

Enhanced Means Testing

Recognizing the federal government's considerable contribution to Medicare Parts B and D financing, this budget asks wealthier seniors to contribute more to their premiums. The notion that 60,000 seniors on Medicare Part B earn annual incomes more than $1 million,[16] yet continue to receive federal subsidization for their premiums, serves as an example of profligate federal policy.

First, it is important to note that this proposal maintains the existing cost-sharing structure for beneficiaries earning less than $85,000 (or couples earning less than $170,000). Approximately 95 percent of today's beneficiaries fall into this demographic.

Building on existing means-testing of Medicare premiums, beneficiaries earning more than $85,000 (or couples earning more than $170,000) will see their premium contributions increase. Drawing on proposals put forth by Senators Joe Lieberman (I-Conn.) and Tom Coburn (R-Okla.), this budget requires beneficiaries earning more than $150,000 (couples earning more than $300,000) to pay for their premiums without federal subsidization. For those with incomes of less than $150,000 (single) and $300,000 (married), this budget is identical to President Obama's means-testing proposal for Medicare premiums.

[16] Dr. Tom Coburn, *Subsidies of the Rich and Famous,* November 2011.

Current Income-Related Premiums for Parts B &D

Income Bracket	*Individuals $85,000 or less*	*Individuals $85,001-$107,000*	*Individuals $107,001-$160,000*	*Individuals $160,001-$214,000*	*Individuals $214,001+*
Income Bracket	*Married Couples $170,000 or less*	*Married Couples $170,001-$214,000*	*Married Couples $214,001-$320,000*	*Married Couples $320,001-$428,000*	*Married Couples $428,001+*
Premiums	**25%**	**35%**	**50%**	**65%**	**80%**

Figure 3
Source: 2011 Medicare Trustees Report[17]

Income-Related Premiums for Parts B & D under Restoring Balance

Income Bracket	*Individuals $85,000 or less*	*Individuals $85,001-$107,000*	*Individuals $107,001-$150,000*	*Individuals $150,001+*
Income Bracket	*Married Couples $170,000 or less*	*Married Couples $170,001-$214,000*	*Married Couples $214,001-$300,000*	*Married Couples $300,001+*
Premiums	**25%**	**50%**	**65%**	**100%**

Figure 4

Sustainable Growth Rate

The sustainable growth rate (SGR), originally implemented in 1997 through the Balanced Budget Act, was intended to constrain overall Medicare spending growth in physician services. However, since 2002, expenditures for physician services have eclipsed established targets, demanding reimbursement cuts in prospective years. As a result, Congress intervened 14 times to preempt physician payment reductions. In doing so, Congress failed to address the underlying issue and perpetuated a flawed reimbursement mechanism.

With each year that passes, the cost of "fixing" the SGR grows, amounting to an albatross of several hundred billion dollars. Without congressional action, physicians will face a 32 percent cut on Jan. 1, 2013. It is critical that we identify a viable pathway to replacing the SGR.

[17] 2011 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trustees Funds, Medicare Trustees Report, p. 221.

This budget fixes the SGR by offsetting the accrued retrospective and future SGR debt in the next 10 years, paving the way for a viable pathway to replacing the SGR without imposing draconian cuts to physicians' reimbursements.

Premium Support in 2023

The House Republican FY 2013 budget resolution includes a provision to strengthen Medicare and ensure its long-term sustainability. Under the plan, seniors 55 years and older would see no change to their Medicare benefits. Beginning in 2023, new Medicare enrollees would be offered a choice between traditional Medicare fee-for-service (FFS) and private plans, both of which would offer a comprehensive benefit, at a minimum, equivalent to Medicare FFS.

Market forces would drive private plans and Medicare FFS to offer quality health coverage at competitive prices. The federal government would set premium-support levels equal to the cost of the second-lowest-cost plan. Beneficiaries armed with discretion to choose care that best suits their needs would be able to select their own coverage, paying an additional premium if their chosen plan's premium exceeded the established benchmark and receiving a cash rebate if their plan's premium was lower than the benchmark. A new catastrophic cap on beneficiaries' out of pocket expenses would protect seniors from facing staggering health costs.

To contain rapidly rising Medicare per-beneficiary costs, the FY 2013 House budget caps the cost of per beneficiary growth for new 2023 Medicare beneficiaries at GDP + 0.5 percent.[18] If growth were to exceed the defined cap, sectors primarily liable for increased growth would have their reimbursement structures modified.[19]

This budget, consistent with the House budget, calls for a premium support model for new Medicare beneficiaries in 2023.

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[18]Chairman Paul Ryan, *The Path to Prosperity: A Blueprint for American Renewal,* Fiscal Year 2013 Budget Resolution, House Budget Committee, p. 53.
[19] Senator Ron Wyden and Chairman Paul Ryan, *Guaranteed Choices to Strengthen Medicare and Health Security for All,* Bipartisan Options for the Future, Dec. 15, 2012.

Current System Isn't Working

Studies reveal that Medicaid patients are more likely to have longer lengths of stay, higher hospital costs, and higher mortality risks in surgeries. A 2010 study in the medical journal Cancer revealed that Medicaid beneficiaries and those without insurance suffering from throat cancer had a 50 percent higher mortality rate than those with private insurance.[20] Furthermore, due in part to low reimbursement and cumbersome bureaucratic procedures, only approximately 50 percent of physicians are agreeing to see new Medicaid patients, making it difficult for beneficiaries to access care.[21] Block-granting Medicaid would provide states with the discretion to efficiently tailor their programs in a way that improves patient access and encourages provider participation.

Rising Costs under Obamacare

As 2014 rapidly approaches, PPACA threatens to overwhelm the Medicaid program. Due largely to PPACA's expansion of Medicaid, CBO projects that Medicaid enrollment will accelerate from 67 million in 2011 to 95 million in 2022.[22] Put another way, President Obama's plan calls for approximately one out of every four Americans to be enrolled in Medicaid. Consequently, federal outlays for Medicaid in 2022 are projected to be more than double today's expenditures, rising to $622 billion.[23] This explosive growth can be attributed both to the PPACA and to the open-ended federal financing of the Medicaid program.

Medicaid is jointly funded by the federal government and states, with the federal government financing anywhere from 50-74 percent of a state's program.[24] As a result, some low-income states gain $3 from the federal government for every $1

[20] Scott Gottlieb, Medicaid is Worse than No Coverage at All, Wall Street Journal, March 10, 2011.
[21] Brian Blase, Solving the National Medicaid Crisis, Heritage Foundation, May 6, 2011.
[22] CBO, *The Budget and Economic Outlook: Fiscal Years 2012 to 2022,* January 2012, p. 57. These figures reflect people who were enrolled in Medicaid at one point during the designated year.
[23] CBO, *Medicaid Spending and Enrollment Detail for CBO's March 2012 Baseline,* March 13, 2012.
[24] Elicia Herz, *Medicaid: A Primer,* Congressional Research Service, March 15, 2012.

spent on expansion of coverage.[25] Our current financing structure incentivizes states to expand and shift costs to the federal government, who, in turn, add it to the debt. Block grants encourage greater fiscal discipline at the state level while removing incentives to shift costs to the federal government and inflate our debt.

This budget promotes flexibility by transforming the Medicaid payment structure into a block-grant program to the states. The block grant would freeze spending for Medicaid at FY 2012 levels through 2017, with future spending increases indexed annually to account for inflation thereafter. States would receive new discretion and increased flexibility to operate their programs in a manner that best suits the needs of their populations.

Modifying Medicaid's payment design will preserve Medicaid's commitment to guaranteeing health care access to the nation's poor. Furthermore, it will ensure the program's financial long-term viability by saving $985 billion in the next 10 years.

[25] Michael Cannon, *Paul Ryan's Medicaid Block Grants: Good for Maryland,* Cato Institute, May 5, 2011 (The Baltimore Sun).

Defense Spending

Because the Joint Select Committee on Deficit Reduction was unable to reach an agreement, the Budget Control Act of 2011 mandates that automatic cuts in defense spending totaling $487 billion must be levied from 2013-2021. However, our defense budget should reflect our defense needs, not the congressional failure to devise a substantive deficit reduction plan.

This budget proposes repealing and replacing the defense sequester with alternative cuts to non-defense discretionary programs. In our current fiscal state, it is critical to give careful scrutiny to the nation's defense spending, but it is equally critical that such scrutiny occurs mindful of the impact on national security.

Defense Secretary Leon Panetta has stated that "the impacts of these cuts would be devastating,"[26] and that should the sequester take effect, it will "increase the risk and could make it impossible for us to execute the strategy we have developed."[27] The Defense Department must be resourced based upon a coherent national strategy. However, the sequester does not allow for such a rational and holistic approach to national security funding. Instead, the sequester forces the DoD to accommodate harsh, immediate and arbitrary cuts. Additionally, it severely limits DoD's flexibility.

While we have ended our military presence in Iraq and are preparing to draw down our forces in Afghanistan, we still face many other national security threats and challenges. In addition, after nearly 10 years of war, much of our military equipment will require significant maintenance and refurbishment. In a Senate Budget Committee hearing, Defense Secretary Panetta testified that the sequester "could hollow out the force and inflict severe damage to our national defense."[28] The sequester was intended to spur Congress via the Joint Select Committee or other means to make a serious commitment to deficit reduction. This budget does

[26] http://mccain.senate.gov/public/index.cfm?FuseAction=PressOffice.PressReleases&ContentRecord_id=A4074315-FD3E-2E65-2330-62B95DA3B0E9.
[27] http://budget.senate.gov/democratic/index.cfm/files/serve?File_id=948244b4-2bdf-423b-8900-cb059be347a8.
[28] Ibid.

just that, and it does so in a way that does not jeopardize national security. As a result, basic defense spending (excluding allocations for the war in Afghanistan) is $540 billion more than that contained in the CBO current law baseline.

Regarding the Overseas Contingency Operations (OCO) fund, this budget assumes completion of our drawdown in Afghanistan by the end of 2014, though this is dependent upon national security needs. This budget does not assume that reduced OCO levels constitute meaningful “savings,” and OCO has been zeroed out by 2015 in order to prevent this money from being used to offset new spending.

While Congress has finally begun reining in discretionary spending, the spending cuts enacted by the FY 2011 Continuing Resolution (Public Law 112-10) and the Budget Control Act (Public Law 112-25) are not sufficient in the face of America's dire fiscal challenges. This budget returns non-defense discretionary spending to its 2006 level of $440 billion and freezes spending levels until the budget balances in 2020. Future spending increases are then indexed to inflation. Pursuant to long-standing congressional practice, the Appropriations committees in the House of Representatives and Senate would be charged with identifying and funding the spending priorities of the federal government within the levels set forth in this budget.

Growth of Non-Defense Discretionary Spending

Some in Washington have attempted to shield discretionary spending from further reductions by noting that entitlements are the primary driver of our future deficits. While technically correct, this argument ignores the massive and uncontrolled increases in discretionary programs over the past 12 years.

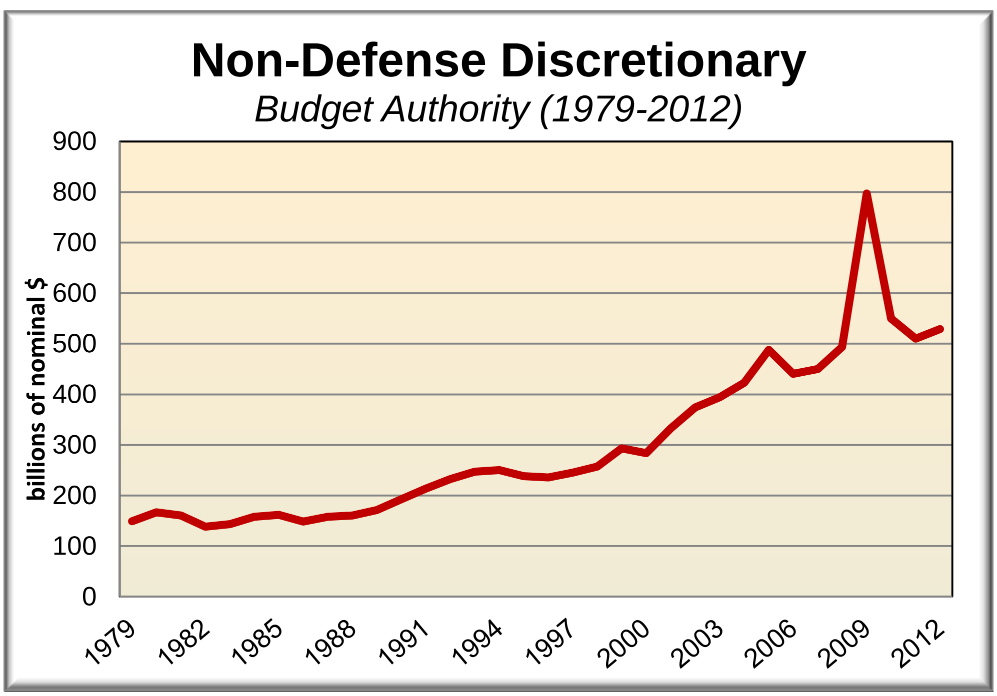

Figure 5

To put these increases in context, budget authority for all non-defense discretionary programs was $283.5 billion in FY 2000. Had this amount been indexed to inflation each year, spending would not have reached $440 billion until 2020. Instead, discretionary spending ballooned to $550 billion by 2010 before declining slightly in 2011.[29] This budget simply returns non-defense spending to where it would have been if Congress had been able to exercise a modest degree of fiscal restraint.

Duplicative Federal Programs

No government should knowingly waste taxpayer dollars. This is particularly true of a government that has run annual deficits in excess of a trillion dollars every year since 2009. Unfortunately, this is exactly what Congress has done.

In 2011, at the request of Sen. Tom Coburn, the Government Accountability Office (GAO) commissioned a thorough report documenting the multiple layers of duplicative programs wasting federal tax dollars.

The GAO report uncovered startling examples of inefficiencies and overlapping programs. For food assistance, the GAO identified 18 separate programs managed by three different agencies.[30] Many of these programs have never been seriously examined to determine their effectiveness. In its efforts to provide job search and employment training assistance, the federal government now runs 47 separate efforts through multiple cabinet level agencies.[31] Forty-four of these programs were found to overlap in some way.

Each of these duplicative programs costs taxpayers by driving up personnel expenses, building maintenance, office space and general operating expenditures. In addition, the considerable degree of overlap can make it easier for some individuals to cheat the system while presenting a frustrating and confusing maze

[29] Office of Management and Budget Historical Tables, Table 5.4—Discretionary Budget Authority by Agency 1976-2017, http://www.whitehouse.gov/omb/budget/Historicals.
[30] Government Accountability Office, Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue, March 2011, p. 125, http://www.gao.gov/new.items/d11318sp.pdf.
[31] Ibid., p. 140.

of government bureaucracy for others.[32] Consolidating overlapping programs can reduce administrative expenses while improving the quality of services government provides.

Eliminating "waste, fraud and abuse" is a popular refrain for politicians because it allows them to focus on an easy target. Cutting out duplicative and inefficient programs is a necessary component of deficit reduction but will not on its own put America on a path toward a balanced budget. Congress and the American people must take a hard look at every agency and decide if the federal government is the best entity to provide that service. Many government programs are already funded and operated at the state level, and others could be more efficiently administered by governments that are closer to the local needs of the American people. Accordingly, those federal programs which duplicate services primarily provided by state and local governments see their funding reduced further than those programs which only the federal government can effectively provide.

Returning non-defense discretionary spending to FY 2006 levels will save the federal government more than $1 trillion compared with baseline projections.

[32] Ibid.

Welfare Spending Explodes

Federal spending on welfare programs has increased dramatically during the past decade. Mandatory welfare programs listed as "income security" totaled $130 billion in 2000. These programs, which include the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps), child nutrition programs, Temporary Assistance for Needy Families (TANF), and various others, increased steadily in cost during the 2000s, reaching $198 billion in 2007. Then, in part due to the financial crisis and the subsequent economic recession, outlays exploded to nearly $430 billion in 2010. While the great recession placed enormous strain on the economy and improved economic growth will inevitably reduce the cost posed by these programs, additional reform is crucial to ensuring the responsible use of taxpayers' dollars and bringing the budget into balance.

As currently structured, spending on our welfare system is growing at an unsustainable rate, and it is imperative that we structure a sustainable social safety net that will be able to aid those who've fallen on hard times in the decades to come.

Our Welfare System Encourages Dependence

In addition, our country's welfare system fails in its fundamental responsibility to help individuals get back on their feet. Through a set of incentive-altering programs, our welfare system actually discourages individuals who've fallen on hard times from regaining their independence. Instead of serving as a temporary crutch, government welfare has become a permanent form of existence for many. Our economy, demographics and communities have changed over the past decade, and our welfare system has not kept pace with these changes in an increasingly global economy. Instead, we are struggling to use a 20th century social safety net model to serve a 21st century society. As a result, our welfare system is often incapable of adequately addressing the needs of the very communities they were created to serve. Further, the programs block out private entities, such as non-profits and religious and civic organizations, from being able to step in and fill the void.

Welfare reform in the mid-1990s was an important and admirable step. But that was nearly 20 years ago. It is time for another round of welfare reform.

Welfare reform should be focused on getting people back on their feet, back into a job, and independent. Otherwise, it simply creates a perverse incentive to continue a life of government dependence. A reformed welfare system should provide states with the flexibility to adapt to the needs of a particular community, instead of trying to fit the community into a top-down federally-mandated system. Instead of throwing rapidly increasing amounts of money into a failing government bureaucracy, it is time to reform the system, so that it can provide more effective assistance, incentivize independence and promote prosperity.

Welfare Reform in Restoring Balance

This budget proposes two separate types of welfare reforms. First, the government should do everything it can to maximize efficiency savings and eliminate waste and duplication within these programs. Second, this budget block grants most welfare programs to the states and caps overall mandatory income security spending for welfare programs at $230 billion a year by FY 2020. This level is about $30 billion more than the federal government was spending on these programs in 2007. In order to give states time to implement new approaches to providing welfare, the spending caps are phased in over time. Overall, this budget proposes saving $440 billion on welfare programs within the income security function.

Appendix I

Economic Assumptions

Economic Assumptions

This budget assumes GDP growth consistent with the CBO's projections for economic growth in the Alternative Fiscal Scenario outlined in the January 2012 Budget and Economic Outlook.

The CBO's standard baseline economic forecast was not used because the policies underlying its modeling are drastically different from those proposed in this budget. The current law baseline assumes that all temporary tax measures expire at the end of 2012 and that doctors treating Medicare patients take a 30 percent pay cut starting in 2013. In contrast, this budget assumes a current policy revenue baseline combined with pro-growth tax reform and a permanent fix to the unrealistic sustainable growth rate that governs Medicare reimbursements.

To account for these significant differences, this budget assumes economic growth in 2013 reaches the maximum range projected by the CBO in its alternative fiscal scenario. After 2013, economic growth is assumed to match that found in the baseline. Likewise, interest rates on U.S. debt are assumed to be at the maximum range listed in the alternative fiscal scenario and remain above the current law baseline until 2018, when the debt held by the public projected in this budget falls below current law baseline projections.

Compared with the economic projections outlined in President Obama's FY 2013 budget request, this budget uses cautious assumptions despite the more pro-growth policies outlined in this document. For 2013, the economic growth rate at the CBO's maximum range for the alternative fiscal scenario is higher than the OMB's forecasts. However, the projections used by this budget for FY 2012 and 2014 are noticeably lower than the OMB's. On the whole, the average nominal rate of GDP growth in this budget for FY 2013-2022 is 4.98 percent, compared with 5.07 percent from the OMB.

Appendix II

Spending Totals By Function

Restoring Balance

Spending, Revenue, Deficits, and Debt (FY 2013-2022)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
Revenue	**2,736**	**2,954**	**3,236**	**3,473**	**3,684**	**3,867**	**4,054**	**4,256**	**4,463**	**4,677**	**37,399**
% GDP	*16.7%*	*17.3%*	*17.9%*	*18.1%*	*18.2%*	*18.2%*	*18.2%*	*18.3%*	*18.4%*	*18.5%*	18.0%
Outlays	**3,523**	**3,468**	**3,510**	**3,661**	**3,770**	**3,895**	**4,087**	**4,253**	**4,437**	**4,671**	**39,275**
% GDP	*21.5%*	*20.3%*	*19.4%*	*19.0%*	*18.6%*	*18.3%*	*18.4%*	*18.3%*	*18.3%*	*18.4%*	18.9%
Deficits/Surplus	**(787)**	**(514)**	**(275)**	**(188)**	**(85)**	**(28)**	**(33)**	**2**	**26**	**7**	**(1,876)**
% GDP	*-4.8%*	*-3.0%*	*-1.5%*	*-1.0%*	*-0.4%*	*-0.1%*	*-0.1%*	*0.0%*	*0.1%*	*0.0%*	-0.9%
Debt	**12,264**	**12,889**	**13,277**	**13,568**	**13,754**	**13,878**	**14,000**	**14,082**	**14,056**	**14,049**	**14,049**
% GDP	*74.9%*	*75.6%*	*73.3%*	*70.5%*	*67.9%*	*65.3%*	*63.0%*	*60.6%*	*57.9%*	*55.4%*	55.4%
GDP	**16,363**	**17,044**	**18,116**	**19,232**	**20,265**	**21,245**	**22,227**	**23,241**	**24,281**	**25,351**	**207,366**

Restoring Balance

FY 2013-2022 revenue, spending, and function totals

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
Total Revenue		**2,736**	**2,954**	**3,236**	**3,473**	**3,684**	**3,867**	**4,054**	**4,256**	**4,463**	**4,677**	**37,399**
on-budget		*2,061*	*2,222*	*2,463*	*2,652*	*2,812*	*2,947*	*3,089*	*3,245*	*3,407*	*3,575*	*28,474*
off-budget		*675*	*731*	*773*	*822*	*872*	*919*	*965*	*1,011*	*1,056*	*1,102*	*8,925*
Total Spending	**BA**	**3,486**	**3,453**	**3,518**	**3,669**	**3,795**	**3,922**	**4,123**	**4,304**	**4,475**	**4,709**	**39,455**
	TO	**3,523**	**3,468**	**3,510**	**3,661**	**3,770**	**3,895**	**4,087**	**4,253**	**4,437**	**4,671**	**39,275**
on-budget	*BA*	*2,843*	*2,740*	*2,760*	*2,864*	*2,940*	*3,017*	*3,164*	*3,286*	*3,393*	*3,561*	*30,568*
	TO	*2,884*	*2,759*	*2,756*	*2,861*	*2,920*	*2,995*	*3,133*	*3,241*	*3,362*	*3,529*	*30,439*
off-budget	*BA*	*643*	*712*	*759*	*805*	*855*	*905*	*959*	*1,019*	*1,082*	*1,148*	*8,886*
	TO	*640*	*709*	*755*	*801*	*850*	*899*	*954*	*1,013*	*1,075*	*1,141*	*8,836*
Surplus/deficit (-)		**(787)**	**(514)**	**(275)**	**(188)**	**(85)**	**(28)**	**(33)**	**2**	**26**	**7**	**(1,876)**
on-budget		*(823)*	*(537)*	*(293)*	*(209)*	*(108)*	*(48)*	*(44)*	*4*	*46*	*46*	*(1,966)*
off-budget		*36*	*23*	*18*	*21*	*22*	*20*	*12*	*(2)*	*(20)*	*(39)*	*90*
Debt Held by the Public		**12,264**	**12,889**	**13,277**	**13,568**	**13,754**	**13,878**	**14,000**	**14,082**	**14,056**	**14,049**	**n/a**
Debt Subject to Limit		16,900	17,624	18,107	18,497	18,792	19,055	19,364	19,655	19,830	20,013	n/a
GDP		16,363	17,044	18,116	19,232	20,265	21,245	22,227	23,241	24,281	25,351	207,366

Spending Totals by Function (Discretionary and Mandatory)

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
Total Spending	BA	3,486	3,453	3,518	3,669	3,795	3,922	4,123	4,304	4,475	4,709	39,455
	TO	3,523	3,468	3,510	3,661	3,770	3,895	4,087	4,253	4,437	4,671	39,275
on-budget	*BA*	*2,843*	*2,740*	*2,760*	*2,864*	*2,940*	*3,017*	*3,164*	*3,286*	*3,393*	*3,561*	*30,568*
	TO	*2,884*	*2,759*	*2,756*	*2,861*	*2,920*	*2,995*	*3,133*	*3,241*	*3,362*	*3,529*	*30,439*
off-budget	*BA*	*643*	*712*	*759*	*805*	*855*	*905*	*959*	*1,019*	*1,082*	*1,148*	*8,886*
	TO	*640*	*709*	*755*	*801*	*850*	*899*	*954*	*1,013*	*1,075*	*1,141*	*8,836*

FUNCTION		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
National Defense (050)	BA	553.9	564.1	574.3	585.6	598.8	612.1	625.3	639.6	653.9	664.3	6,072.0
	TO	587.9	577.2	573.8	584.7	590.4	605.1	618.4	629.7	641.0	653.3	6,061.6
International Affairs (150)	BA	26.4	24.4	20.9	19.0	20.5	21.6	21.6	21.6	21.7	22.2	219.7
	TO	36.9	26.0	22.0	22.0	22.4	22.4	20.7	19.6	19.6	20.0	231.5
Science, space, technology (250)	BA	25.0	25.2	25.2	25.2	25.2	25.1	25.3	25.1	25.1	25.1	251.5
	TO	27.4	26.2	25.4	25.3	25.2	25.2	25.1	25.1	25.1	25.1	255.1
Energy (270)	BA	4.1	2.4	1.4	1.3	0.9	0.6	0.4	0.3	0.1	0.1	11.6
	TO	9.9	4.9	2.3	1.6	1.3	0.5	0.4	0.2	(0.0)	(0.1)	20.8
Natural resources & environment (300)	BA	29.5	27.2	27.3	26.3	26.6	27.1	27.1	27.1	26.2	25.1	269.6
	TO	33.1	30.8	29.1	27.5	27.4	27.2	27.0	27.0	26.4	24.8	280.3
Agriculture (350)	BA	20.4	19.7	18.6	17.2	17.3	17.6	17.6	17.8	16.8	14.8	177.8
	TO	23.6	19.7	18.2	17.2	17.1	17.2	17.1	17.4	16.4	14.4	178.3

FUNCTION		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
Commerce and housing credit (370)	BA	3.0	8.1	5.3	3.3	3.3	3.3	2.9	2.7	1.5	3.7	37.1
	TO	6.7	(1.6)	(5.7)	(10.9)	(12.6)	(13.3)	(19.5)	(20.3)	(14.5)	(13.6)	(105.3)
on-budget	*BA*	*3.0*	*8.0*	*5.2*	*3.2*	*3.2*	*3.1*	*2.6*	*2.4*	*1.2*	*3.4*	*35.2*
	TO	*6.7*	*(1.8)*	*(5.8)*	*(11.1)*	*(12.7)*	*(13.5)*	*(19.7)*	*(20.6)*	*(14.8)*	*(13.9)*	*(107.2)*
off-budget	*BA*	*(0.0)*	*0.2*	*0.2*	*0.2*	*0.1*	*0.3*	*0.3*	*0.3*	*0.3*	*0.3*	*1.9*
	TO	*(0.0)*	*0.2*	*0.2*	*0.2*	*0.1*	*0.3*	*0.3*	*0.3*	*0.3*	*0.3*	*1.9*
Transportation (400)	BA	83.4	83.7	73.1	74.2	75.4	75.5	75.5	76.6	76.7	77.8	771.9
	TO	83.4	83.7	73.1	74.2	75.4	75.5	75.5	76.6	76.7	77.8	771.9
Community & regional development (450)	BA	10.9	11.1	11.2	11.2	11.5	11.4	11.3	11.2	11.2	11.1	112.0
	TO	18.1	14.8	13.7	12.1	11.3	11.2	11.1	11.1	11.1	11.0	125.4
Education, training, employment (500)	BA	62.0	54.2	58.2	64.3	72.1	74.1	75.7	73.4	84.7	85.9	704.8
	TO	73.7	63.6	60.8	64.6	70.1	74.5	76.1	75.1	86.2	87.2	731.9
Health (550)	BA	351.3	359.8	355.0	337.6	340.4	349.8	356.8	374.6	372.4	381.8	3,579.5
	TO	348.9	350.5	351.2	341.5	343.5	350.2	357.4	364.9	372.6	381.8	3,562.4
Medicare (570)	BA	523.0	548.0	572.3	621.1	639.2	662.1	724.9	777.8	830.5	917.9	6,816.7
	TO	522.4	547.2	572.0	620.9	638.6	661.7	724.7	777.1	830.1	917.8	6,812.5
Income security (600)	BA	513.4	461.3	451.3	446.5	432.2	423.4	433.7	433.8	438.8	458.9	4,493.3
	TO	515.8	463.3	453.2	447.6	432.8	424.4	434.0	434.4	438.9	459.2	4,503.7
Social Security (650)	BA	822	866	910	959	1,013	1,072	1,137	1,206	1,277	1,353	10,615
	TO	819	862	906	954	1,008	1,067	1,131	1,200	1,271	1,346	10,565
on-budget	*BA*	*53*	*32*	*35*	*39*	*43*	*48*	*52*	*57*	*63*	*68*	*490*
	TO	*53*	*32*	*35*	*39*	*43*	*48*	*52*	*57*	*63*	*68*	*490*
off-budget	*BA*	*769*	*834*	*875*	*920*	*970*	*1,025*	*1,084*	*1,148*	*1,215*	*1,285*	*10,125*
	TO	*766*	*830*	*871*	*915*	*965*	*1,019*	*1,078*	*1,142*	*1,208*	*1,278*	*10,074*

FUNCTION		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
Veterans Benefits and Services (700)	BA	134.5	137.0	139.8	148.1	146.5	144.6	153.6	157.4	161.1	171.0	1,493.6
	TO	133.8	136.1	139.0	147.1	145.3	143.4	152.4	156.1	159.8	169.3	1,482.3
Administration of Justice (750)	BA	57.1	47.6	47.3	48.9	47.1	46.9	46.8	46.7	46.9	51.8	487.0
	TO	54.6	50.3	49.2	50.5	48.7	48.5	47.4	46.7	46.9	51.5	494.4
General government (800)	BA	22.2	22.0	21.7	21.5	21.0	21.2	21.3	21.3	21.4	21.5	215.1
	TO	23.0	22.0	21.8	21.7	21.1	21.2	21.3	21.4	21.4	21.5	216.4
Net Interest (900)	BA	246.7	266.7	306.9	363.5	418.0	452.2	494.1	526.6	546.1	565.0	4,185.8
	TO	246.7	266.7	306.9	363.5	418.0	452.2	494.1	526.6	546.1	565.0	4,185.8
on-budget	*BA*	*356.9*	*372.0*	*406.9*	*460.9*	*515.5*	*553.6*	*599.8*	*636.2*	*658.7*	*680.3*	*5,240.8*
	TO	*356.9*	*372.0*	*406.9*	*460.9*	*515.5*	*553.6*	*599.8*	*636.2*	*658.7*	*680.3*	*5,240.8*
off-budget	*BA*	*(110.2)*	*(105.3)*	*(100.0)*	*(97.4)*	*(97.5)*	*(101.4)*	*(105.7)*	*(109.6)*	*(112.6)*	*(115.3)*	*(1,055.0)*
	TO	*(110.2)*	*(105.3)*	*(100.0)*	*(97.4)*	*(97.5)*	*(101.4)*	*(105.7)*	*(109.6)*	*(112.6)*	*(115.3)*	*(1,055.0)*
Allowances (920)	BA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	TO	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Undistributed Offsetting Receipts	BA	(92.6)	(95.5)	(101.9)	(104.2)	(114.6)	(119.3)	(127.3)	(135.0)	(138.0)	(141.2)	(1,169.6)
	TO	(92.6)	(95.5)	(101.9)	(104.2)	(114.6)	(119.3)	(127.3)	(135.0)	(138.0)	(141.2)	(1,169.6)
on-budget	*BA*	*(76.7)*	*(79.2)*	*(85.0)*	*(86.7)*	*(96.5)*	*(100.6)*	*(107.8)*	*(114.9)*	*(117.2)*	*(119.7)*	*(984.3)*
	TO	*(76.7)*	*(79.2)*	*(85.0)*	*(86.7)*	*(96.5)*	*(100.6)*	*(107.8)*	*(114.9)*	*(117.2)*	*(119.7)*	*(984.3)*
off-budget	*BA*	*(15.8)*	*(16.3)*	*(16.9)*	*(17.5)*	*(18.1)*	*(18.8)*	*(19.5)*	*(20.2)*	*(20.8)*	*(21.5)*	*(185.3)*
	TO	*(15.8)*	*(16.3)*	*(16.9)*	*(17.5)*	*(18.1)*	*(18.8)*	*(19.5)*	*(20.2)*	*(20.8)*	*(21.5)*	*(185.3)*
War Funding (970)	BA	90.0	20.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	110.0
	TO	51.0	20.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	71.0

Discretionary Spending

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
Total Discretionary Spending	BA	1075	1016	1005	1016	1031	1043	1056	1070	1086	1103	10,501
	TO	1169	1099	1054	1061	1066	1080	1092	1104	1116	1135	10,976
Discretionary (excluding wars)	BA	985	996	1,005	1,016	1,031	1,043	1,056	1,070	1,086	1,103	10,391
	TO	1,118	1,079	1,054	1,061	1,066	1,080	1,092	1,104	1,116	1,135	10,905
Defense (excluding wars)	BA	546	556	566	577	590	603	616	630	644	654	5,982
	TO	580	569	565	576	582	596	609	620	631	643	5,971
Nondefense	BA	439	440	439	439	441	440	440	440	442	449	4,409
	TO	538	510	488	485	485	484	483	484	485	492	4,934
War Spending	BA	90	20	0	0	0	0	0	0	0	0	110
	TO	51	20	0	0	0	0	0	0	0	0	71

FUNCTION		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
National Defense (050)	BA	546.0	556.0	566.0	577.0	590.0	603.0	616.0	630.0	644.0	654.0	5,982.0
	TO	580.0	569.2	565.4	576.0	581.5	596.0	609.0	620.0	631.0	643.0	5,971.1
International Affairs (150)	BA	24.15	24.00	23.00	22.04	22.07	22.09	22.06	22.00	22.10	22.23	225.7
	TO	37.43	26.37	23.18	22.45	22.04	22.20	22.11	22.05	22.02	22.16	242.0
General science, space and technology (250)	BA	24.92	25.10	25.05	25.11	25.08	25.03	25.15	25.02	25.01	25.02	250.5
	TO	27.24	26.11	25.32	25.21	25.06	25.05	25.02	25.01	25.04	25.01	254.1
Energy (270)	BA	1.98	2.01	1.99	2.03	2.04	2.02	2.05	2.01	2.01	2.02	20.2
	TO	8.11	5.34	3.47	2.52	2.16	2.07	2.04	2.05	2.03	2.04	31.8

FUNCTION		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
Natural resources and environment (300)	BA	27.32	26.49	26.75	26.82	26.85	26.83	26.88	26.52	26.12	26.16	266.74
	TO	31.45	29.73	28.16	27.78	27.46	26.91	26.74	26.54	26.13	25.85	276.75
Agriculture (350)	BA	5.51	5.52	5.54	5.23	5.32	5.51	5.32	5.32	5.14	5.13	53.54
	TO	5.73	5.59	5.57	5.55	5.54	5.50	5.25	5.34	5.11	5.09	54.27
Commerce and housing credit (370)	BA	(4.17)	(4.19)	(4.21)	(4.23)	(4.31)	(4.41)	(4.52)	(4.63)	(4.74)	(4.76)	(44.17)
	TO	(2.56)	(2.82)	(2.96)	(3.74)	(3.92)	(4.04)	(4.07)	(4.11)	(4.15)	(4.28)	(36.65)
on-budget	*BA*	*(4.43)*	*(4.45)*	*(4.47)*	*(4.49)*	*(4.57)*	*(4.68)*	*(4.79)*	*(4.91)*	*(5.03)*	*(5.05)*	*(46.87)*
	TO	*(2.82)*	*(3.08)*	*(3.22)*	*(4.00)*	*(4.18)*	*(4.31)*	*(4.34)*	*(4.39)*	*(4.44)*	*(4.57)*	*(39.35)*
off-budget	*BA*	*0.26*	*0.26*	*0.26*	*0.26*	*0.26*	*0.27*	*0.27*	*0.28*	*0.29*	*0.29*	*2.70*
	TO	*0.26*	*0.26*	*0.26*	*0.26*	*0.26*	*0.27*	*0.27*	*0.28*	*0.29*	*0.29*	*2.70*
Transportation (400)	BA	28.81	28.85	28.83	28.82	28.91	28.93	28.92	28.94	28.92	29.89	289.82
	TO	81.11	81.17	70.40	71.39	72.49	72.51	72.50	73.52	73.50	74.47	743.05
Community & regional development (450)	BA	11.43	11.47	11.50	11.51	11.94	12.01	12.02	11.98	12.03	11.99	117.88
	TO	16.77	13.45	12.36	11.75	11.71	11.83	11.94	11.97	12.01	11.95	125.74
Education, training, employment (500)	BA	76.55	77.02	77.11	77.04	77.03	77.06	76.57	76.12	76.13	77.16	767.79
	TO	81.36	79.12	77.98	77.46	77.11	77.09	76.54	76.11	76.02	77.03	775.82
Health (550)	BA	50.15	50.08	50.05	50.01	50.02	50.03	50.01	50.04	50.34	51.12	501.85
	TO	53.49	51.85	51.13	50.07	50.05	50.06	50.04	50.07	50.08	51.01	507.85
Medicare (570)	BA	7.53	7.54	7.55	7.56	7.57	7.58	7.59	7.61	7.62	7.63	75.78
	TO	6.97	7.33	7.57	7.61	7.59	7.60	7.61	7.59	7.61	7.64	75.11
Income security (600)	BA	56.80	55.00	54.00	54.00	54.00	52.00	51.00	50.00	50.36	52.17	529.33
	TO	58.36	55.92	54.75	54.27	54.13	52.64	51.08	50.31	50.14	52.15	533.75

FUNCTION		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
Social Security (650)	BA	5.77	6.01	6.08	6.10	6.12	6.14	6.15	6.17	6.19	6.23	60.95
	TO	5.88	6.01	6.06	6.12	6.11	6.13	6.12	6.15	6.17	6.22	60.97
on-budget	*BA*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
	TO	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
off-budget	*BA*	*5.77*	*6.01*	*6.08*	*6.10*	*6.12*	*6.14*	*6.15*	*6.17*	*6.19*	*6.23*	*60.95*
	TO	*5.88*	*6.01*	*6.06*	*6.12*	*6.11*	*6.13*	*6.12*	*6.15*	*6.17*	*6.22*	*60.97*
Veterans Benefits and Services (700)	BA	61.20	63.25	64.42	65.67	67.07	68.49	70.05	71.54	73.05	74.98	679.71
	TO	60.60	62.46	63.72	64.77	65.97	67.33	68.85	70.32	71.80	73.36	669.19
Administration of Justice (750)	BA	45.20	45.13	45.06	45.04	45.02	45.03	45.01	45.03	45.22	46.38	452.12
	TO	49.32	46.33	45.42	45.16	45.09	45.07	45.05	45.04	45.21	46.16	457.85
General government (800)	BA	16.32	16.27	16.21	16.17	16.04	16.02	16.03	16.05	16.07	16.08	161.26
	TO	16.86	16.34	16.29	16.22	16.11	16.09	16.08	16.09	16.06	16.09	162.23
War Spending (970)	BA	90.00	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	110.00
	TO	51.00	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	71.00

Mandatory Spending

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
Total Mandatory Spending	BA	2,411	2,437	2,513	2,654	2,764	2,878	3,067	3,235	3,389	3,606	28,954
	TO	2,354	2,368	2,457	2,601	2,703	2,815	2,995	3,149	3,321	3,536	28,299
on-budget total	*BA*	*1,774*	*1,731*	*1,761*	*1,855*	*1,916*	*1,980*	*2,114*	*2,222*	*2,314*	*2,464*	*20,131*
	TO	*1,721*	*1,666*	*1,708*	*1,806*	*1,860*	*1,921*	*2,048*	*2,143*	*2,252*	*2,401*	*19,527*
off-budget total	*BA*	*637*	*706*	*752*	*799*	*848*	*898*	*953*	*1,012*	*1,075*	*1,142*	*8,823*
	TO	*633*	*702*	*748*	*794*	*843*	*893*	*947*	*1,006*	*1,069*	*1,135*	*8,772*
Mandatory Programs (excluding interest)	BA	2,164	2,170	2,206	2,290	2,346	2,426	2,573	2,708	2,843	3,041	24,768
	TO	2,107	2,102	2,150	2,237	2,285	2,362	2,501	2,623	2,775	2,971	24,113
Interest Payments	BA	247	267	307	364	418	452	494	527	546	565	4,186
	TO	247	267	307	364	418	452	494	527	546	565	4,186

FUNCTION		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
National Defense (050)	BA	7.91	8.06	8.32	8.56	8.82	9.08	9.35	9.65	9.95	10.28	89.96
	TO	7.92	8.08	8.41	8.65	8.89	9.15	9.41	9.71	10.01	10.33	90.56
International Affairs (150)	BA	2.22	0.36	(2.15)	(3.09)	(1.54)	(0.52)	(0.47)	(0.43)	(0.37)	(0.08)	(6.07)
	TO	(0.52)	(0.34)	(1.20)	(0.48)	0.31	0.19	(1.38)	(2.41)	(2.43)	(2.20)	(10.47)
General science, space and technology (250)	BA	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	1.00
	TO	0.12	0.11	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	1.02
Energy (270)	BA	2.09	0.34	(0.60)	(0.76)	(1.15)	(1.42)	(1.60)	(1.71)	(1.87)	(1.91)	(8.58)
	TO	1.76	(0.49)	(1.20)	(0.94)	(0.89)	(1.62)	(1.62)	(1.88)	(2.07)	(2.13)	(11.06)

FUNCTION		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
Natural resources and environment (300)	BA	2.17	0.76	0.54	(0.48)	(0.24)	0.29	0.22	0.57	0.11	(1.06)	2.88
	TO	1.67	1.03	0.92	(0.23)	(0.03)	0.32	0.25	0.42	0.28	(1.07)	3.58
Agriculture (350)	BA	14.85	14.22	13.07	12.01	11.94	12.14	12.25	12.45	11.66	9.65	124.22
	TO	17.82	14.10	12.63	11.63	11.56	11.70	11.86	12.10	11.30	9.30	123.99
Commerce and housing credit (370)	BA	7.14	12.30	9.53	7.56	7.56	7.75	7.42	7.33	6.22	8.42	81.24
	TO	9.24	1.22	(2.72)	(7.18)	(8.69)	(9.21)	(15.40)	(16.20)	(10.34)	(9.33)	(68.61)
on-budget	*BA*	*7.44*	*12.40*	*9.63*	*7.66*	*7.76*	*7.75*	*7.42*	*7.33*	*6.22*	*8.42*	*82.04*
	TO	*9.54*	*1.32*	*(2.62)*	*(7.08)*	*(8.49)*	*(9.21)*	*(15.40)*	*(16.20)*	*(10.34)*	*(9.33)*	*(67.81)*
off-budget	*BA*	*(0.30)*	*(0.10)*	*(0.10)*	*(0.10)*	*(0.20)*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*(0.80)*
	TO	*(0.30)*	*(0.10)*	*(0.10)*	*(0.10)*	*(0.20)*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*(0.80)*
Transportation (400)	BA	54.64	54.86	44.30	45.40	46.46	46.54	46.57	47.65	47.76	47.86	482.05
	TO	2.33	2.55	2.73	2.83	2.88	2.96	2.99	3.08	3.18	3.28	28.82
Community & regional development (450)	BA	(0.52)	(0.40)	(0.34)	(0.33)	(0.47)	(0.64)	(0.69)	(0.77)	(0.82)	(0.90)	(5.88)
	TO	1.30	1.31	1.29	0.39	(0.41)	(0.68)	(0.82)	(0.88)	(0.93)	(0.93)	(0.35)
Education, training, employment (500)	BA	(14.51)	(22.77)	(18.90)	(12.78)	(4.93)	(2.97)	(0.83)	(2.68)	8.56	8.78	(63.04)
	TO	(7.62)	(15.55)	(17.22)	(12.82)	(6.99)	(2.57)	(0.46)	(1.04)	10.20	10.18	(43.87)
Health (550)	BA	301.13	309.73	304.96	287.59	290.42	299.80	306.78	324.60	322.03	330.66	3077.69
	TO	295.38	298.62	300.04	291.42	293.47	300.10	307.32	314.83	322.52	330.82	3054.52
Medicare (570)	BA	515.45	540.50	564.78	613.51	631.64	654.48	717.28	770.15	822.93	910.25	6740.95
	TO	515.44	539.84	564.40	613.34	630.98	654.10	717.11	769.48	822.53	910.20	6737.40
Income security (600)	BA	456.57	406.28	397.28	392.51	378.18	371.43	382.74	383.85	388.45	406.72	3964.01
	TO	457.46	407.42	398.46	393.29	378.68	371.76	382.96	384.05	388.77	407.07	3969.92

FUNCTION		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
Social Security (650)	BA	816.45	859.66	904.38	952.80	1007.12	1066.12	1130.52	1199.61	1271.21	1346.56	10,554.43
	TO	812.95	855.96	900.38	948.30	1002.22	1060.82	1124.72	1193.61	1264.91	1339.66	10,503.53
on-budget	*BA*	*53.22*	*31.89*	*35.14*	*38.95*	*43.14*	*47.59*	*52.43*	*57.43*	*62.60*	*68.08*	*490.46*
	TO	*53.22*	*31.89*	*35.14*	*38.95*	*43.14*	*47.59*	*52.43*	*57.43*	*62.60*	*68.08*	*490.46*
off-budget	*BA*	*763.23*	*827.77*	*869.25*	*913.85*	*963.98*	*1018.53*	*1078.09*	*1142.19*	*1208.61*	*1278.49*	*10,063.97*
	TO	*759.73*	*824.07*	*865.25*	*909.35*	*959.08*	*1013.23*	*1072.29*	*1136.19*	*1202.31*	*1271.59*	*10,013.07*
Veterans Benefits and Services (700)	BA	73.29	73.74	75.41	82.38	79.43	76.14	83.59	85.83	88.08	96.03	813.91
	TO	73.16	73.62	75.32	82.30	79.36	76.07	83.53	85.76	88.00	95.94	813.06
Administration of Justice (750)	BA	11.88	2.45	2.20	3.90	2.03	1.87	1.77	1.66	1.71	5.40	34.87
	TO	5.32	3.97	3.73	5.38	3.64	3.46	2.31	1.67	1.69	5.35	36.51
General government (800)	BA	5.90	5.73	5.50	5.32	5.00	5.14	5.25	5.25	5.33	5.42	53.84
	TO	6.10	5.68	5.55	5.52	4.97	5.07	5.23	5.33	5.32	5.39	54.15
Net Interest (900)	BA	246.67	266.71	306.92	363.54	418.00	452.15	494.13	526.63	546.10	564.97	4185.83
	TO	246.67	266.71	306.92	363.54	418.00	452.15	494.13	526.63	546.10	564.97	4185.83
on-budget	*BA*	*356.87*	*372.01*	*406.92*	*460.94*	*515.50*	*553.55*	*599.83*	*636.23*	*658.70*	*680.27*	*5,240.83*
	TO	*356.87*	*372.01*	*406.92*	*460.94*	*515.50*	*553.55*	*599.83*	*636.23*	*658.70*	*680.27*	*5,240.83*
off-budget	*BA*	*(110.20)*	*(105.30)*	*(100.00)*	*(97.40)*	*(97.50)*	*(101.40)*	*(105.70)*	*(109.60)*	*(112.60)*	*(115.30)*	*(1,055.00)*
	TO	*(110.20)*	*(105.30)*	*(100.00)*	*(97.40)*	*(97.50)*	*(101.40)*	*(105.70)*	*(109.60)*	*(112.60)*	*(115.30)*	*(1,055.00)*
Allowances (920)	BA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	TO	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Undistributed Offsetting Receipts	BA	(92.56)	(95.53)	(101.92)	(104.22)	(114.59)	(119.32)	(127.32)	(135.05)	(138.00)	(141.15)	(1,169.64)
	TO	(92.56)	(95.53)	(101.92)	(104.22)	(114.59)	(119.32)	(127.32)	(135.05)	(138.00)	(141.15)	(1,169.64)
on-budget	*BA*	*(76.74)*	*(79.20)*	*(85.03)*	*(86.73)*	*(96.51)*	*(100.57)*	*(107.85)*	*(114.88)*	*(117.17)*	*(119.66)*	*(984.31)*
	TO	*(76.74)*	*(79.20)*	*(85.03)*	*(86.73)*	*(96.51)*	*(100.57)*	*(107.85)*	*(114.88)*	*(117.17)*	*(119.66)*	*(984.31)*
off-budget	*BA*	*(15.82)*	*(16.33)*	*(16.89)*	*(17.49)*	*(18.08)*	*(18.75)*	*(19.48)*	*(20.17)*	*(20.83)*	*(21.50)*	*(185.33)*
	TO	*(15.82)*	*(16.33)*	*(16.89)*	*(17.49)*	*(18.08)*	*(18.75)*	*(19.48)*	*(20.17)*	*(20.83)*	*(21.50)*	*(185.33)*